

PUBLIC DISCLOSURE

March 3, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples State Bank of Groveland
Certificate Number: 16845**

**200 East Broad Street
Groveland, Florida 34736-0038**

**Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1500
1201 West Peachtree Street, N.E.
Atlanta, Georgia 30309-3449**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Peoples State Bank of Groveland** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **March 3, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding and is supported by the following:

- The average loan-to-deposit ratio is more than reasonable at 82 percent;
- A substantial majority of the loans reviewed are located within the assessment area;
- The bank's lending to borrowers of different incomes and to businesses of different sizes is exceptional;
- The geographic distribution of loans reviewed are well disbursed throughout the assessment area; and
- The bank has not received any CRA-related consumer complaints.

DESCRIPTION OF INSTITUTION

Peoples State Bank of Groveland is a state-chartered commercial bank that operates three offices in Lake County, Florida. Its main office is located at 200 East Broad Street in Groveland, Florida and the branches are located in nearby Clermont and Leesburg. The bank has three automated teller machines (ATMs), one located at each office. Customers have access to ATM services through the HONOR Network. A variety of banking services are offered including various types of loans and deposit-related services. As of December 31, 1998, the bank had total assets of \$79,675,000 of which \$59,725,000 or 75 percent were concentrated in loans. As of the same date, 44 percent of loans were secured by 1-4 family residential properties and at least 41 percent of the loans were commercial related. The bank also originates non-real estate consumer loans. The composition of the loan portfolio as of December 31, 1998 is detailed below.

Loan Type	Dollar Volume (In 000s)	Percent
Real Estate:		
Construction and land development	4,534	8%
Secured by farmland	1,609	3%
Secured by first liens on 1-4 family residential properties	26,249	44%
Secured by junior liens on 1-4 family residential properties	744	1%
Lines of credit secured by 1-4 family residential properties	108	-
Secured by commercial properties	19,023	32%
Other	150	-
Non-Real Estate		
Commercial and Industrial	5,236	9%
Consumer	1,919	3%
Agricultural	32	-
Other	121	-
Total	59,725	100%

The bank offers a variety of consumer loans for automobiles, home improvement, home purchase, home refinance, home construction, and personal purposes. The bank also offers commercial loans for working capital, equipment and mortgages.

The bank also participates in Lake County's State Housing Initiatives Partnership (SHIP) program. The program uses state allocated monies to subsidize the cost of purchasing a dwelling that will be used as the borrower's primary residence. Eligible applicants are low- or very-low income persons.

There are no legal or financial impediments, which limit the bank's ability to meet credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of 18 of the 27 census tracts in Lake County, Florida. Lake County is included in the Orlando Metropolitan Statistical Area (MSA) 5960. The nine census tracts not included in the assessment area are located in the northeast section of the county. The bank does not have any branches in the northeast section of the county. The assessment area consists of seven moderate-income census tracts, ten middle-income census tracts and one upper-income census tract. According to the 1990 Census, the population of the assessment area is 99,908 with 31,188 families. The 1990 median family income of the assessment area is \$26,864, compared to the 1990 median family income for the MSA of \$34,389. The HUD-Adjusted 1998 Orlando MSA median family income is \$44,500.

According to 1990 Census data, 52 percent of the families in the assessment area are considered low- or moderate-income. Approximately eight percent of all families have incomes below the poverty level, and six percent of all households receive some form of public assistance. Income levels are defined as follows:

- *Low-Income:* the overall median family income is less than 50 percent of the MSA median family (MSAMFI) income.
- *Moderate-Income:* the overall median family income is at least 50 percent, but less than 80 percent of the MSAMFI.
- *Middle-Income:* the overall median family income is at least 80 percent, but less than 120 percent of the MSAMFI.
- *Upper-Income:* the overall median family income is equal to or greater than 120 percent of the MSAMFI.

The following table shows the income distribution of families that reside in the assessment area.

ASSESSMENT AREA FAMILIES		
Family Income Level	Number of Families	Percent of Total Families
Low	7,628	25
Moderate	8,454	27
Middle	7,568	24
Upper	7,538	24
Total	31,188	100

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

General Information

Conclusions for the performance criteria Lending in Assessment Area, Lending to Borrowers of Different Incomes and to Businesses of Different Sizes, and Geographic Distribution of Loans were based on the following data:

- 39 consumer loans totaling \$210,000 which originated between January 1, 1998 and December 31, 1998. This sample was derived from 267 consumer loans totaling \$1,629,601 which originated during this period.
- 35 commercial loans totaling \$4,969,000 which originated between January 1, 1998 and December 31, 1998. This sample was derived from 182 commercial loans totaling \$21,258,497 that originated during this period.
- 123 Home Mortgage Disclosure Act (HMDA) loans totaling \$7,175,000 which originated between January 1, 1998 and December 31, 1998. HMDA requires banks to collect certain data on home purchase, home refinance, and home improvement loans.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio of 82 percent is more than reasonable. This ratio is derived from averaging the loan-to-deposit ratios for each of the 11 quarters since the last evaluation.

In most cases, the loan-to-deposit ratio is compared to the ratio of another "similarly situated" institution in the assessment area. Peoples State Bank of Groveland is the only bank in Groveland, Florida. Its branches compete with branches of large regional and national banks, and local credit unions and a savings bank. As such, there are no "similarly situated" banks to compare the loan-to-deposit ratio. As an alternate, Peoples State Bank of Groveland's ratio can be compared to the average loan-to-deposit ratio of all commercial banks with assets less than \$100 million in the State of Florida. The aforementioned ratio as of December 31, 1998 was 67 percent. Peoples State Bank of Groveland's ratio for the same date was 84 percent and exceeds standards for performance.

A review of bank records reveals several community development loans, which further enhance the loan-to-deposit ratio. Examples follow:

- A \$20,000 loan granted on March 19, 1998. The loan was to The City of Mascotte, which is located in a moderate-income census tract to purchase a police patrol vehicle.
- A \$20,000 loan granted on February 22, 1999. This loan was to The Green Isle Foundation to purchase a mini-van. The Green Isle Foundation operates a home for problem children.

Lending in Assessment Area

A substantial majority of the bank's loans are made within the assessment area. Of all loans sampled, 87 percent by number and 87 percent by dollar volume were within the assessment area. The following table details residential real estate, commercial and consumer loans originated in 1998 inside and outside of the lending area.

Loans to Individuals and Businesses

	Number of Loans	Percent of Number	Dollars of Loans	Percent of Dollars
Inside Assessment Area	172	87%	10,784,000	87%
Outside Assessment Area	25	13%	1,570,000	13%
Total	197	100%	12,354,000	100%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

An analysis of the distribution of the institution's loans inside the assessment area based on borrower income (individuals) or revenue (businesses) was performed using a sample of loans from the bank's 1998 HMDA data, New Loan Report, and the review of 74 loan files. The sample consisted of 171 loans made between January 1, 1998 and December 31, 1998. Of those loans, 63 percent (107) were HMDA loans, 21 percent (36) were consumer and 16 percent (28) were commercial. A separate income/revenue distribution analysis was performed for individual and business loans. The following tables are an analysis of loans originated in 1998 to individuals and to businesses.

The bank's HMDA related record of lending to low-income borrowers is excellent. Overall, the bank made 37 percent of its loans by number and 20 percent of its loans by dollar volume to low and moderate-income borrowers. The following table is an analysis of all HMDA loans originated in 1998:

1998 HMDA Loans*

Borrower Income	Number of Loans	Percent of Number	Dollar of Loans	Percent of Dollars
Low	19	18%	565,000	9%
Moderate	20	19%	728,000	11%
Middle	25	23%	1,345,000	21%
Upper	43	40%	3,829,000	59%
Total	107	100%	6,467,000	100%

- One loan totaling \$136,000 did not include income and is excluded.

The bank's HMDA lending performance was compared to 1997 HMDA aggregate data reported for all banks in the Orlando MSA. Aggregate data reveals that 7 percent of the loans were to low-income families and 17 percent to moderate. Therefore, the bank's percentage of lending to low- and moderate-income families exceeds aggregate data.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes
(Continued)**

The bank's record of lending in the consumer loan area to low- and moderate-income borrowers is excellent. The bank made 67 percent of its loans by number and 53 percent of its loans by dollar volume to low and moderate-income borrowers. The following table is an analysis of the sample of consumer loans originated in 1998:

1998 Consumer Loans

Borrower Income	Number of Loans	Percent of Number	Dollar of Loans	Percent of Dollars
Low	15	42%	57,000	31%
Moderate	9	25%	40,000	22%
Middle	9	25%	61,000	33%
Upper	3	8%	25,000	14%
Total	36	100%	183,000	100%

Eighty-six percent (24 of 28) of the institution's business loans were to businesses with gross annual revenues of less than \$1,000,000. This represents an excellent record of serving the credit needs of the area's small businesses, especially considering the bank's size and competition. The following table is an analysis of the sample of commercial loans originated in 1998:

Commercial Loans By Business Size

Business Size	Number of Loans	Percent of Number	Dollars of Loans	Percent of Dollars
<\$250,000	20	71%	2,120,000	53%
\$250-\$499,000	3	11%	102,000	3%
\$500-\$749,000	1	4%	8,000	0%
\$750-\$1,000,000	0	0%	0	0%
> \$1,000,000	4	14%	1,768,000	44%
Total	28	100%	3,998,000	100%

Geographic Distribution of Loans

The geographic distribution of loans is considered more than satisfactory. Loans have originated throughout the assessment area. The distribution is shown in the table below.

Census Tract	Number of Loans	Percent	Dollar Amount	Percent
Low	None	In	Lake	County
Moderate	95	55%	4,524,000	42%
Middle	73	42%	5,931,000	55%
Upper	4	3%	329,000	3%
Total	172	100%	10,784,000	100%

Geographic Distribution of Loans (Continued)

The geographic distribution of loans is fairly consistent with the distribution of the population and owner-occupied housing units across MSA income levels.

Response to Complaints

The bank has not received any CRA related complaints since the prior evaluation.